

PegasusLife Development Limited

Annual report and financial statements

For the year ended 30 June 2019

Registered number 09340939

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PegasusLife Development Limited

OFFICERS AND PROFESSIONAL ADVISERS

Registered Number 09340939

DIRECTORS

I J Trinder (resigned 30 September 2019)
D J Petri (resigned 19 February 2020)
M J Gill
A Demargerie (resigned 17 April 2019)
M Dickinson (appointed 17 April 2019)
M Evans (appointed 2 August 2019)
D Clark (appointed 27 February 2020)
S Bangs (appointed 27 February 2020)

SECRETARY

J Williams

AUDITOR

Deloitte LLP
Statutory Auditor
Gatwick, United Kingdom

SOLICITORS

CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London
EC1A 4DD

BANKERS

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

REGISTERED OFFICE

Royal Court
Kings Worthy
Winchester
Hampshire
SO23 7TW

STRATEGIC REPORT

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

THE BUSINESS MODEL

The principal activity of the company is the development and sale of retirement accommodation.

BUSINESS REVIEW

The audited financial statements for the year ended 30 June 2019 are set out on pages 9-23. In the year ended 30 June 2019 company turnover was £55,852,000 (2018: £33,947,000). In the year 77 apartments were sold (2018: 65 apartments) with the average sales price achieved per unit in the year increasing from £522,000 to £721,000 due to the mix in sites being sold in the year including Harpenden, One Bayshill Road and Belle Vue. The loss for the year before taxation was £42,153,615 (2018: loss for the year £25,174,487) which was excepted during this development phase, with future profitability forecasted as stock becomes completed.

In June 2015 PegasusLife Development Limited completed a £450 million, 7 year debt finance facility with AIG. Of this loan facility, a total of £324,240,000 (2018: £280,822,000) has been drawn down to be used in construction of projects.

On 28 June 2019, a fellow group subsidiary entered into a £525m, 5 year loan facility with Sculptor Petrel Investment S.à r.l.. On 4 July 2019, the initial draw down from this facility was made and the AIG loan was subsequently repaid in full. Accordingly, the loan is now presented as due in less than one year and loan fees of £11,267,000 have been accelerated and incurred in full this year.

The business undertook an appraisal of all sites which resulted in the strategic decision not to continue with phase 2 of construction at the Tetbury site, a reduction in the expected GDV at the Portishead site, and identified increased build costs at certain under construction sites. This appraisal formed part of the annual impairment review of sites which resulted in an inventory write down of £11,458,919 (2018: £10,404,000) recognised in cost of sales.

The review also resulted in the reversal of £3,825,320 of the prior year impairment charge due to an increase in expected revenue from sites being sold as land.

During the year ended 30 June 2019, the company acquired 2 sites (2018: 5 sites).

KEY PERFORMANCE INDICATORS

Details of key performance indicators are as follows:

	<i>30 June 2019</i>	<i>30 June 2018</i>
Operating loss	(£8,665,426)	(£8,740,455)
Loss before tax	(£42,153,615)	(£25,174,987)
Shareholders' deficit	(£78,409,097)	(£36,255,482)
Sites acquired	2	5
Sites under construction at year end	11	13
Land bank units at year end	1,139	1,071
GDV pipeline at year end	£803m	£815m

The movements in the key performance indicators are indicative of the business plan, with operating loss expected as the developments move through the building cycle.

The operating loss has reduced as the net impact of impairment charges reduced to £7,633,599 (2018: £10,404,000). This has been offset by a reduction in the gross margin achieved on units as impaired sites sold in the year, and an increase in marketing costs in administration expenses as more units are marketed for sale. The loss before tax increased due to the reduced operating loss being offset by increased loan facility fees due to the refinance discussed above. Interest payable continued to increase as the amount of borrowings drawn continued to increase to fund development of the stock portfolio.

The level of sites acquired and those under construction at year end reduced in 2019 as the business focussed on delivering existing sites through to completion. Land bank units increased as units on newly acquired sites exceeded those sold in the year. The GDV pipeline reduced due to reductions in expected GDV on sites including Portishead.

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

The portfolio of sites owned by PegasusLife Development has a Forecast Gross Development Value of £803,000,000 (2018: £814,000,000), equivalent to 3 years of turnover based on current forecasts and balanced in terms of size, location and value.

The business plans to complete construction and commence sales on 5 sites during the year ending 30 June 2020 and more significantly in the financial year ending 30 June 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks	Mitigation
Planning delays / failure to get consent	<ul style="list-style-type: none">• Conditional contracts or fall-back positions• As business matures, individual site delays have less impact on overall performance
Build cost inflation / surety of supply	<ul style="list-style-type: none">• Alternative forms of construction being reviewed• Mix of procurement methods utilised such as two-stage tendering and construction management• Explore developing relationship with mid-sized construction companies for ongoing programme of work• No start on site until KPI target enquiries / reservations hit
Market slowdown	<ul style="list-style-type: none">• Selling off-plan extends sales period and gives visibility of pipeline• Alternative structures: Shared ownership purchase, discounted 'Home for Life', rent to buy, assured tenancy rental• Work with Part Exchange providers• Site appraisals and forecast margins allow for reductions in revenues without causing losses to be made
Decision to leave the European Union	<ul style="list-style-type: none">• Impact considered when devising and amending business strategy and operating model• Alternative material suppliers identified• A clear and transparent rental package has been brought to market

In light of the ongoing decision of the UK to leave the European Union under the Brexit vote there is uncertainty in the markets in which the company operates. With all operations based in the UK and all sales in the UK market the company is, to some extent, shielded from the greater uncertainty that would exist with EU operations.

As a result of the uncertainty, there has been a slowdown in the UK housing market as a whole compared to previous years. Due to the company's customer base not being reliant on mortgages or other financing to purchase properties there have been no observed significant reductions in the levels of demand for units. This has been supported by post year end sales performance with 59 unit sales. Nonetheless the directors have taken the opportunity to review and refine both the selling prices achievable and the timing of sales in forecasts.

On the supply side, whilst construction is undertaken by subcontractors the directors have given consideration to the risk of future price increases and impacts on labour supply and similarly assessed the impact on forecast margins for sites. The use of fixed price contracts where possible has helped mitigate exposure to these risks to date as well as in future periods.

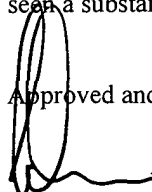
The company is financed through long-term loans. The Brexit result is not expected to impact these financing arrangements.

POST BALANCE SHEET EVENTS

On 4 July 2019, the AIG facility was repaid in full as part of the group refinancing. Construction completed at Brockenhurst, Bristol QVH, Portishead and JDH Cheltenham.

STRATEGIC REPORT (continued)

The impact of the coronavirus outbreak remains uncertain. The situation is being monitored and government guidelines are being followed and communicated to staff. Whilst we continue to monitor events and work closely with all our suppliers and customers, we have not to date seen any material impact to our business from coronavirus. At this stage we have not seen a substantial drop in international or domestic sales as a result, but management will continue to monitor closely.

 Approved and authorised for issue by order of the Board

M Dickinson
Chief Executive Officer

17 March 2020
Royal Court
Kings Worthy
Winchester
SO23 7TW

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the audited financial statements for the year ended 30 June 2019. The future developments and post balance sheet events sections are included within the strategic report.

DIVIDENDS

The directors do not recommend the payment of a dividend (2018: £nil).

DIRECTORS

The directors who served the company during the year and subsequently, unless otherwise stated, are set out on page 1.

DIRECTORS' QUALIFYING INDEMNITY PROVISIONS

The company provided qualifying third party indemnity provisions to certain directors during the financial year and at the date of this report.

GOING CONCERN

The directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. In forming this view the directors have considered the company's net current liability position and net liability position and in particular the company's reliance on the continued support of its lenders in respect of the long term loans.

In addition, the AIG loan which had a 7 year term ending 26 June 2022, was presented as due in less than one year due to a refinancing of the wider group and was redeemed on 4 July 2019. A £525 million 5 year loan facility was signed on 28 June 2019 by a fellow group subsidiary with Sculptor Petrel Investment S.à r.l.. That funding will be made available to the company. No covenants have been breached with regard to the new facility and are not forecast to be breached in the going concern period.

The directors consider it is in the interests of the lenders to continue to provide the necessary financial support to ensure that the company is a going concern for the foreseeable future. The Company has the continued support of its parent, Lifestory Group Limited (formerly PegasusLife Limited) and has received written support to this effect. The directors have considered the ability of Lifestory Group Limited to provide that support, and in particular its access to its subsidiary's £525m loan facility, and no concerns were noted.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Information on financial risk management objectives as applicable to the company can be found in note 24 of consolidated financial statements of the parent company, Lifestory Group Limited (formerly PegasusLife Limited).

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Approve and authorised for issue by order of the Board



M Dickinson

Chief Executive Officer

17 March 2020
Royal Court
Kings Worthy
Winchester
SO23 7TW

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEGASUSLIFE DEVELOPMENT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of PegasusLife Development Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEGASUSLIFE
DEVELOPMENT LIMITED (continued)**

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

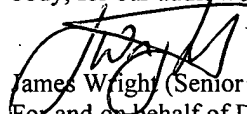
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.


James Wright (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Gatwick, United Kingdom

18 March 2020

PROFIT AND LOSS ACCOUNT
For the year ended 30 June 2019

	<i>Notes</i>	<i>June 2019 £000</i>	<i>June 2018 £000</i>
TURNOVER	<i>1, 2</i>	55,852	33,947
Cost of sales		(52,858)	(29,310)
Cost of sales – impairment of inventories	<i>5</i>	(11,459)	(10,404)
Cost of sales – reversal of impairment of inventories	<i>5</i>	3,825	-
GROSS LOSS		(4,640)	(5,767)
Other operating income		105	41
Administration expenses		(4,131)	(3,014)
OPERATING LOSS		(8,666)	(8,740)
Interest payable and similar expenses	<i>3</i>	(33,488)	(16,435)
LOSS BEFORE TAXATION	<i>5</i>	(42,154)	(25,175)
Tax on loss	<i>6</i>	-	-
LOSS FOR THE FINANCIAL YEAR	<i>13</i>	(42,154)	(25,175)

Turnover and operating loss are all derived from continuing activities.

There are no sources of other comprehensive income for the current and preceding year other than the loss for the year presented above. Accordingly no statement of comprehensive income has been presented.

The accompanying notes on pages 12 to 23 are an integral part of these financial statements.

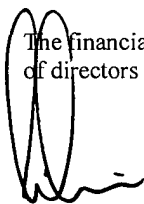
PegasusLife Development Limited

BALANCE SHEET

As at 30 June 2019

	<i>Notes</i>	<i>30 June 2019 £000</i>	<i>30 June 2018 £000</i>
FIXED ASSETS			
Investments	7	-	-
CURRENT ASSETS			
Stocks	8	539,917	469,288
Debtors	9	12,771	7,339
Cash at bank and in hand		5,516	15,521
		<hr/>	<hr/>
		558,204	492,148
CREDITORS: Amounts falling due within one year	10	(636,613)	(258,848)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET CURRENT (LIABILITIES) / ASSETS		(78,409)	233,300
CREDITORS: Amounts falling due after more than one year	11	-	(269,555)
		<hr/>	<hr/>
NET LIABILITIES		(78,409)	(36,255)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	12	-	-
Profit and loss account	13	(78,409)	(36,255)
		<hr/>	<hr/>
SHAREHOLDERS' DEFICIT		(78,409)	(36,255)
		<hr/>	<hr/>

The financial statements of PegasusLife Development Limited (registered number 09340939) were approved by the board of directors and authorised for issue on 17 March 2020. They were signed on its behalf by:



M Dickinson
Chief Executive Officer

The accompanying notes on pages 12 to 23 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Called-up share capital £000	Profit and loss account £000	Total £000
Balance at 1 July 2017	-	(11,080)	(11,080)
Total comprehensive loss for the year	-	(25,175)	(25,175)
Balance at 30 June 2018	-	(36,255)	(36,255)
Total comprehensive loss for the year	-	(42,154)	(42,154)
Balance at 30 June 2019	-	(78,409)	(78,409)

The accompanying notes on pages 12 to 23 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

PegasusLife Development Limited (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the group financial statements of Lifestory Group Limited (formerly PegasusLife Limited). The group financial statements of Lifestory Group Limited are available to the public and can be obtained as set out in note 15.

The financial statements have been prepared on the historical cost basis as modified to include certain items at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group financial statements of Lifestory Group Limited (formerly PegasusLife Limited). The group financial statements of Lifestory Group Limited are available to the public and can be obtained as set out in note 15.

Adoption of new and revised Standards

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2018.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Company has elected to restate comparatives in respect of the classification and measurement of financial instruments.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

Impact of initial application of IFRS 9 *Financial Instruments* (continued)

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- the terminology applied to the Company's financial instruments has changed to align with IFRS 9 terminology.

None of the reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost; and,
2. Trade debtors and contract assets.

Because the Company has elected to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 July 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 July 2017.

No differences were identified. Accordingly, there has been no impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(c) General hedge accounting

The Company does not apply hedge accounting. Accordingly, the application of IFRS 9 has had no impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c).

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the balance sheet. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company's accounting policies for its revenue streams are disclosed in detail in note 1 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

IFRS 15 introduced the step of identifying the performance obligation and the need to recognise revenue at the point at which the performance obligation is satisfied. IAS 18 applied the approach of recognising revenue at the point at which substantially all of the risks and rewards of ownership transferred to the buyer. All revenue is derived from property sales and land sales. The Company recognises revenue at legal completion. This is both the point at which the performance obligations of the Company are satisfied and substantially all of the risks and rewards of ownership transfer to the buyer. Accordingly, there has been no change in the revenue recognition point on application of IFRS 15 compared to IAS 18 and no impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. In forming this view the directors have considered the company's net current liability position and net liability position and in particular the company's reliance on the continued support of its lenders in respect of the long term loans.

In addition, the AIG loan which had a 7 year term ending 26 June 2022, was presented as due in less than one year due to a refinancing of the wider group and was redeemed on 4 July 2019. A £525 million 5 year loan facility was signed on 28 June 2019 by a fellow group subsidiary with Sculptor Petrel Investment S.à r.l.. That funding will be made available to the Company. No covenants have been breached with regard to the new facility and are not forecast to be breached in the going concern period.

The directors consider it is in the interests of the lenders to continue to provide the necessary financial support to ensure that the company is a going concern for the foreseeable future. The Company has the continued support of its parent, Lifestory Group Limited (formerly PegasusLife Limited) and has received written support to this effect. The directors have considered the ability of Lifestory Group Limited to provide that support, and in particular its access to its subsidiary's £525m loan facility, and no concerns were noted.

Turnover

Turnover represents amounts receivable from the sale of specialist retirement housing and associated land, and is stated net of VAT and trade discounts. Turnover from the sale of units is recognised on legal completion. Turnover from the sale of freehold land is recognised at the point at which the performance obligations have been met; typically this is legal completion. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 2019

1. ACCOUNTING POLICIES (continued)

Stock

Stock, including work in progress, is stated at the lower of cost and net realisable value. Cost comprises actual land purchases which are accounted for from the date of contract exchange, when the company obtains effective control of the site, actual building costs and attributable direct overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Provisions for impairment are reversed to the extent that the expected net realisable value increases in subsequent periods.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on debtors measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises ECL for trade debtors. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Company does not hold any financial liabilities at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty and critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

Carrying value of stock, estimation of costs to complete and achievable revenues

Stock is stated at the lower of cost and net realisable value. Such stock includes land, work in progress and completed units. Residential development is largely speculative by nature and it is normal that not all stock is covered by forward sales contracts. To assess the net realisable value of land held for development and sites in the course of construction, the company maintains a financial appraisal of the likely revenue which will be generated when this stock becomes residential retirement properties for sale and are sold. Where the financial appraisal demonstrates that the revenue will exceed the costs of the stock and other associated costs of constructing the residential retirement properties, the stock are stated at cost. Where the projected revenue is lower, the extent to which there is a shortfall is written off through the profit and loss account leaving the stock stated at net realisable value. To the extent that the revenues which can be generated change, or the final cost to complete for the site varies from estimates, the realisable value of stock may be different. Appraisals taking into account estimated achievable net revenues, actual stock and costs to complete as at each reporting date have been completed and identified an impairment in the current year of £11,458,919 (2018: £10,404,000) in the carrying value. A reversal of a prior year impairment of £3,825,320 (2018: £nil) was also identified. These estimates were made by management having regard to actual sales prices, together with competitor and marketplace evidence. Should there be a future significant decline in UK house pricing, further impairments of land, work in progress and completed sites may be necessary.

Critical judgements

Recognition of deferred tax assets

The directors have judged it appropriate to not recognise a deferred tax asset in respect of historic trading losses as they do not believe, based on most recent forecasts, there will be sufficient taxable profits arising in the foreseeable future against which they could be relieved. To the extent actual future taxable profits differ from forecast the amount of deferred tax assets which can be recognised will fluctuate.

2. TURNOVER

The directors consider there to be one continuing class of business and one geographical destination of business only, being the UK.

Revenue is derived as follows:

	<i>30 June 2019 £000</i>	<i>30 June 2018 £000</i>
Legal completions on retirement property	55,487	33,947
Land sales	365	-
	<u>55,852</u>	<u>33,947</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

3. INTEREST PAYABLE AND SIMILAR EXPENSES

	<i>30 June</i> <i>2019</i> <i>£000</i>	<i>30 June</i> <i>2018</i> <i>£000</i>
Interest payable on AIG loan	19,318	14,119
Amortisation of facility fees	13,938	2,316
Loan exit fees	232	-
	33,488	16,435

Due to the repayment of the AIG loan as described in note 10 the facility fees amortisation was accelerated over the shorter expected term of the facility.

4. STAFF COSTS

During the year the company had 5 directors (2018: 6) none of whom are remunerated by the company. Remuneration was borne by Lifestory Group Limited (formerly PegasusLife Limited) and not recharged. It is not considered practicable to split the amount between services to the group and services to this company. Total directors' remuneration is disclosed in the consolidated financial statements of Lifestory Group Limited which are publicly available.

5. LOSS BEFORE TAXATION

Auditor's remuneration for the audit of the company's financial statements of £55,000 (2018: £36,000) was borne by Lifestory Group Limited (formerly PegasusLife Limited) and not recharged. Fees payable to the auditor and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

During the year £48,916,452 of inventory was recognised as an expense in cost of sales (2018: £28,346,000). During the year inventory was written down by £11,458,919 (2018: £10,404,000) and recognised as an expense in cost of sales. A reversal of a prior year impairment of £3,825,320 was recognised (2018: £nil) as a result of the appraisal review undertaken at each reporting date, which estimates achievable net revenues, actual stock and costs to complete as at each reporting date.

6. TAX ON LOSS

Analysis of credit in the year:

	<i>30 June</i> <i>2019</i> <i>£000</i>	<i>30 June</i> <i>2018</i> <i>£000</i>
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax credit	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

6. TAX ON LOSS (continued)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	<i>30 June 2019 £000</i>	<i>30 June 2018 £000</i>
Loss before tax	(42,154)	(25,175)
Tax on loss at standard UK tax rate of 19.00% (2018: 19.00%)	(8,009)	(4,783)
Effects of: Unrelieved tax losses	8,009	4,783
Total tax credit	-	-

A deferred tax asset of £13,330,000 (2018: £6,164,000) relating to unrelieved tax losses of £78,414,000 (2018: £36,260,000) has not been recognised in the year as at present it is not envisaged that any tax will become payable in the foreseeable future against which these losses could be utilised as deductions. Future tax charges will be affected by the reduction in the rate of corporation tax from 19% to 17% for taxable profits arising after 1 April 2020.

7. INVESTMENTS

Company	<i>30 June 2019 £000</i>	<i>30 June 2018 £000</i>
Cost at 1 July and 30 June	-	-

The company has investments in 100% of the ordinary share capital of the following subsidiary undertakings. The registered address of the below subsidiaries is Royal Court, Kings Worthy, Winchester, Hampshire, SO23 7TW.

Name	Country of incorporation	Activity
PegasusLife Development (Bartrams) Limited	England & Wales	Development of retirement accommodation
PegasusLife Development (OBR) Limited	England & Wales	Development of retirement accommodation
PegasusLife Development (Westminster) Limited	England & Wales	Development of retirement accommodation
PegasusLife Development - (QVH) Limited	England & Wales	Development of retirement accommodation

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

8. STOCKS

	<i>30 June</i> <i>2019</i> <i>£000</i>	<i>30 June</i> <i>2018</i> <i>£000</i>
Land	36,124	23,647
Work in progress	271,097	380,021
Completed stock	232,696	65,620
	<u>539,917</u>	<u>469,288</u>

Stock of £539,917,000 (2018: £469,288,000) has been pledged by the company as security against the AIG loan.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>30 June</i> <i>2019</i> <i>£000</i>	<i>30 June</i> <i>2018</i> <i>£000</i>
Amounts due from subsidiary undertakings	604	-
Amounts due from fellow subsidiary undertakings	11,207	4,910
VAT	60	133
Other debtors	360	1,870
Prepayments and accrued income	540	426
	<u>12,771</u>	<u>7,339</u>

Amounts due from subsidiary undertakings and fellow group subsidiary undertakings are unsecured, repayable on demand and non-interest bearing.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>30 June</i> <i>2019</i> <i>£000</i>	<i>30 June</i> <i>2018</i> <i>£000</i>
AIG loans	324,240	-
Amounts due to parent undertakings	292,216	231,546
Amounts due to subsidiary undertakings	7,055	7,673
Amounts due to fellow subsidiary undertakings	16	9,124
Trade creditors	5,418	5,478
Accruals and deferred income	7,668	5,027
	<u>636,613</u>	<u>258,848</u>

The AIG loan was repaid as part of the wider group refinancing on 4 July 2019 (see note 11) and hence is shown as current. It incurs interest at 5.50% above LIBOR. It comprises a loan of £324,240,000 with all transaction costs amortised. The loan is secured by way of a first charge over the assets of PegasusLife Development Limited and a debenture over the shares of PegasusLife Holdings Limited, its immediate parent company.

Amounts due to subsidiary and parent undertakings are unsecured, repayable on demand and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>30 June</i> <i>2019</i> <i>£000</i>	<i>30 June</i> <i>2018</i> <i>£000</i>
AIG loans	-	280,822
Issue costs associated with AIG loan	-	(11,267)
	<u>-</u>	<u>269,555</u>

The AIG loan had a 7 year term ending 26 June 2022 but was repaid as part of the wider group refinancing on 4 July 2019. A new £525 million loan facility agreement was signed on 28 June 2019 with Sculptor Petrel Investment S.à r.l. by a fellow subsidiary undertaking.

12. CALLED-UP SHARE CAPITAL

	<i>30 June</i> <i>2019</i> <i>£000</i>	<i>30 June</i> <i>2018</i> <i>£000</i>
Authorised, allotted, called-up and fully paid		
100 ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

The company has one class of ordinary shares which carry no right to fixed income.

13. PROFIT AND LOSS ACCOUNT

	<i>£000</i>
Balance at 1 July 2018	(36,255)
Loss for the year	(42,154)
Balance at 30 June 2019	<u>(78,409)</u>

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 101 not to disclose transactions between group undertakings, where 100% of the voting rights are controlled within the group.

At 30 June 2019, a balance of £3,438,191 (2018: £1,006,461) was owed to Hackwood Homes Limited which is made up of £469,396 (2018: £8,803) included within trade creditors and £2,968,795 (2018: £997,658) included within accruals. The purchases in the year from Hackwood were £12,091,647 (2018: £293,443).

15. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The immediate holding company is PegasusLife Holdings Limited and the ultimate holding company and controlling party is Brookfields Asset Management Inc.

Lifestory Group Limited (formerly PegasusLife Limited), a company incorporated in the United Kingdom, is the parent of the smallest group, of which PegasusLife Development Limited is a member, to prepare group financial statements. The group financial statements can be obtained the registered address of Lifestory Group Limited: Royal Court, Kings Worthy, Winchester, Hampshire, SO23 7TW.

Brookfields Asset Management Inc, a company incorporated in Canada, is the parent of the largest group, of which PegasusLife Development Limited is a member, to prepare group financial statements. The group financial statements can be obtained from its registered address: Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada M5J 2T3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

16. POST BALANCE SHEET EVENTS

On 4 July 2019, as part of the group refinancing, the AIG loan facility was repaid in full. A new £525 million, 5 year loan facility agreement was signed on 28 June 2019 with Sculptor Petrel Investment S.à r.l. by a fellow subsidiary undertaking.

Construction completed at Brockenhurst, Bristol QVH, Portishead and JDH Cheltenham.

The impact of the coronavirus outbreak remains uncertain. The situation is being monitored and government guidelines are being followed and communicated to staff. Whilst we continue to monitor events and work closely with all our suppliers and customers, we have not to date seen any material impact to our business from coronavirus. At this stage we have not seen a substantial drop in international or domestic sales as a result, but management will continue to monitor closely.